

RICHARD J. STRASSER, JR.  
CHIEF FINANCIAL OFFICER  
EXECUTIVE VICE PRESIDENT



May 19, 2003

RECEIVED

MAY 20 2 34 PM '03

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Mr. Bernard L. Ungar  
Director, Physical Infrastructure Issues  
United States General Accounting Office  
Washington, DC 20548-0001

Dear Mr. Ungar:

On May 16, 2002, the Postal Service transmitted the first of its annual reports in response to the recommendations contained in the General Accounting Office (GAO) report of December 21, 2001, titled "U.S. Postal Service: Update on E-Commerce Activities and Privacy Protections" (GAO-02-79). The Postal Service's initial report included (1) a statement of policies and procedures for capturing, attributing and reporting revenues and expenditures associated with the new products and (2) Profit and Loss Statements for Fiscal Year 2001 covering the costs and revenues associated with the five eCommerce products offered in that fiscal year: ePayments, PosteCS, NetPost.Certified™, NetPost Mailing Online, and SEDS/Electronic Postmark.

The Postal Service defines new products or services as those products and services: whose existence begins in the Fiscal Year reported on, that are not within the jurisdiction of the Postal Rate Commission, for which a public announcement has been made for a public offering available to everyone, and that will provide revenue. Consistent with the Postal Service's definition, there were no new products and services implemented in Fiscal Year 2002. Therefore, the enclosed report for Fiscal Year 2002 contains Profit and Loss Statements covering the costs and revenues associated with Online Payment Services (formerly ePayments), NetPost Mailing Online, SEDS/Electronic Postmark, NetPost.Certified™, and PosteCS.

During FY 2002 changes were made to the above offerings based on management reviews of product performance. First, two products, PosteCS and NetPost.Certified™, have been discontinued. These two products are included in this report because they still had costs or revenues associated with them in FY 2002. Second, the agreement for Online Payment Services (formerly ePayments) was renegotiated, transferring marketing and operational responsibility to CheckFree Corporation, with the Postal Service retaining branding and governance responsibilities. Finally, the Electronic Postmark (EPM) product has been outsourced to Authentidate.

If you or your staff would like to discuss the report further, my staff is available at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Strasser, Jr.", with a long horizontal flourish extending to the right.

Richard J. Strasser, Jr.

cc: Steven W. Williams  
Postal Rate Commission